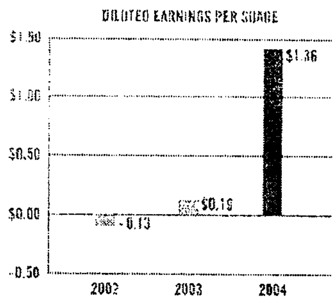
EXHIBIT 6

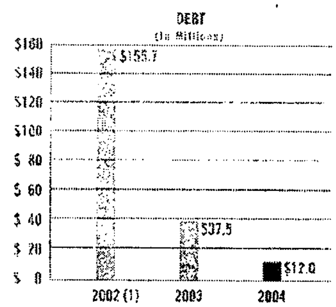
04

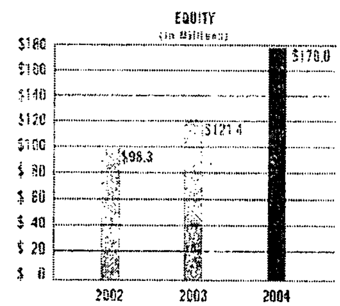
WRAPPING UP Imperial Sugar COMPANY A SWEET YEAR

FINANCIAL HIGHLIGHTS

	2004	2003	2002
	Fiscal Year Ended September 30, (In Millions, except Per Share Data)		
Result of Operations			
Net Sales	$ 963.6	$1,110.8	$1,104.9
Gross Margin	79.2	80.8	70.7
As a Percent of Sales	8.2%	7.3%	6.4%
Income from Continuing Operations	15.0	2.0	(1.3)
Diluted Earnings Per Share from Continuing Operations	$ 1.38	$ 0.19	$ (0.13)
Financial Condition			
Total Assets	$ 415.8	$ 418.2	$ 444.6
Long-Term Debt	12.0	37.5	155.7 (1)
Shareholder's Equity	176.2	121.4	98.3







(1) Excludes $61.5 million borrowed by an unconsolidated subsidiary on September 30, 2002 under the Company's accounts receivable securitization program.

Results for 2004 were very encouraging, particularly in light of continuing challenges in the sugar and energy markets. Lower sales volumes and prices, along with significantly higher energy prices were overcome by lower raw material costs and efficient factory operations, improving gross margin as a percent of sales. Selling and administrative costs were reduced and income from continuing operations improved.

Our financial condition has significantly improved over the past three years as we executed on our strategy to sell certain assets, improve operations and reduce debt.

SHAREHOLDER LETTER

Dear Shareholder:

This past year was one of continued progress in many areas. Earnings were substantially improved from the previous year. Despite difficult industry conditions and higher energy prices, our balance sheet was further strengthened. Our new products team introduced a number of innovative packaging concepts within our retail business. We continued to progress towards final installation of our new Enterprise Resource Planning system (ERP) and successfully went live at our beet facilities in the beginning of November 2004. Finally, our operational execution improved dramatically as we enhanced our management capabilities in this area and moved past the disruptive period of capacity reduction that had marked prior periods.

More will be said about these accomplishments in the following pages of this report. They are a culmination of a great deal of hard work by all of our associates and the support and dedication of many of our constituents, including our grower suppliers and our Board of Directors. To all these groups, I would like to extend my sincere thanks.

Imperial Sugar is now well past the major transition of the past few years, but we are far from finished making improvements. We are approaching this year with the anticipation that even more can be accomplished by building on our recent achievements. For example, we are very focused on increasing the penetration of our strong Imperial and Dixie Crystal brands in their respective core regions of the Southwest and Southeast through greater innovation aimed at supplying products that increase consumer loyalty and improve our customers' sales, efficiencies and profitability. We also plan to spread these innovative concepts into our foodservice and industrial specialties segments.

Just as importantly, we will continue to improve our own supply chain processes to drive down costs and further enhance customer service. This will be aided when the ERP conversion is completed at our cane facilities early in the next calendar year. When fully implemented, this major project will generate significant process improvements by improving data visibility and forecasting accuracy on which to base sales, manufacturing and logistics decisions.

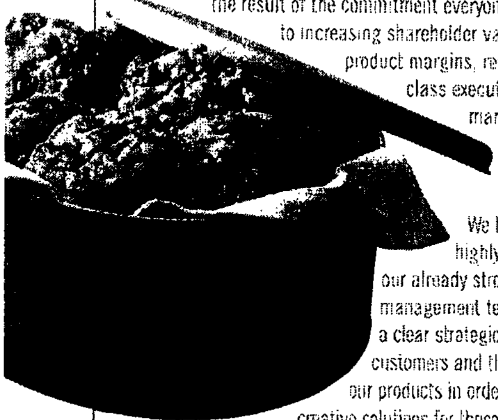
All this needs to be done in an environment that continues to be marked by intense competition, margin pressure and ever-higher energy prices. These obstacles make the marketplace and execution improvements discussed above all the more important. Fortunately, our strong financial position will allow us to continue to invest in projects that will facilitate new product introductions, cost efficiencies and an improved environment for our associates.

I am pleased that we have demonstrated our ability to overcome such obstacles in the recent past in our drive to create shareholder value. Further accomplishments in these areas will not only help in the short run but will allow for even better long-term performance as we move through the short-run positive and negative cycles that are a part of our industry's history.

Robert A. Peiser

President and Chief Executive Officer

THINKING OUTSIDE THE BOX



Imperial Sugar Company's financial success this year is largely the result of the commitment everyone in our Company shares to increasing shareholder value through better product margins, reduced costs, best-in-class execution, protection from market volatility, and improved balance sheet metrics.

We have continued to attract highly qualified individuals to our already strong and relatively new management team and have established a clear strategic vision: Listen to our customers and the ultimate consumers of our products in order to deliver innovative and creative solutions for those who sell and use our products. We believe this principle will prove to be a distinctive competitive differentiator in the years ahead.

The entrepreneurial spirit among our management and associates, and a solid focus on improving service levels throughout our operations have led to new and better ways to market and sell sugar. We are well on our way to establishing recognizable advantages over others in our industry, and to innovate in a category traditionally not known for innovation.

While the market dynamics and rising energy and transportation costs made these accomplishments a challenge, we are proud to have stayed ahead of fluctuating industry conditions during this past fiscal year and to have delivered strong results to our shareholders.

about the problems of dried out brown sugar and the messy handling of powdered sugar. We responded with a range of new products. Now for the first time, cooks can purchase a three-pack of individually sealed, pre-measured one-cup containers of brown sugar that allow them to dispense the precise amount called for in most recipes. The resealable lid protects the brown sugar from spilling, insects and humidity.

The brown sugar three-pack of individually wrapped and sealed cups is available in light brown sugar under the Imperial Sugar, Dixie Crystals and Pioneer Sugar brands.

Sometimes it's the little things that matter most

Our product development teams changed their perspectives in small ways. Instead of thinking about our products from a traditional manufacturer's point of view, packaging in hundred weight and pounds, we talked to consumers who think in cups, and teaspoons or even a pinch. And we gave them what they asked for with our new powdered sugar and cinnamon/sugar shaker bottles.

Our new shaker bottles with a two-sided lid, one side for shaking and the other for spooning larger quantities, lets kids sprinkle powdered sugar on waffles or cinnamon sugar on toast and oatmeal. The bottle's size and contoured shape make it easy to grip, even for little hands.

These exciting new products received the Institute of Packaging Professionals AmeriStar Awards for excellence in package innovation, protection, economics, performance, marketing and environmental impact.

Consumer desires lead to innovative packaging

By listening to our customers and analyzing purchasing trends, our marketing and packaging teams expanded their thinking about how sugar is purchased and used.

As part of our focus on continual innovation, we conducted extensive focus groups among consumers where we heard stories

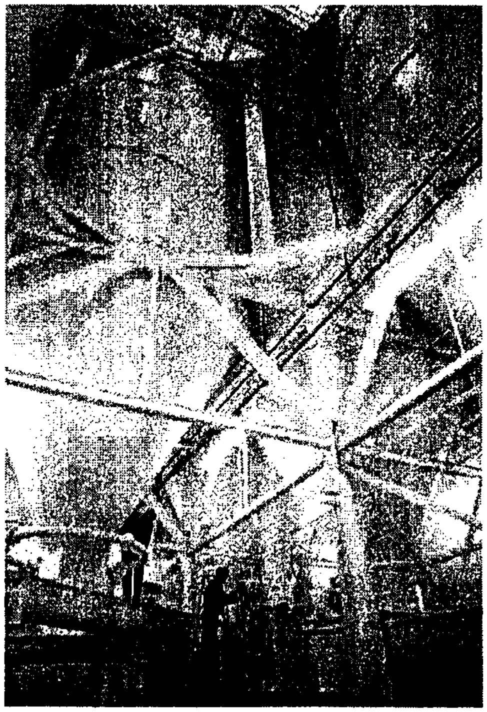
Our creative team also leveraged another insight from the young crowd: Kids love cinnamon. To make a good thing better, we created a superfine cinnamon sugar mix that dissolves faster and releases more cinnamon flavor. Priced under a dollar, it has proven to be a popular purchase.

Both sugar shakers are sold under the Imperial Sugar, Dixie Crystals and Pioneer Sugar brand names. As with all Imperial Sugar Company products, the sugar shakers packaging is in English and Spanish

Adding service to a commodity business

Our industrial business continues to be the foundation of our strategy and is essential to our market position as one of the largest sugar suppliers

We have improved historically strong relationships with our customers who value the quality product we deliver as well as our market insights. And we are managing these business areas in a way that provides consistent supply, value-added services, and enhanced technology that makes it easy for our industrial customers to do business with us.



Our solid national distribution infrastructure gives us a unique ability to serve our industrial and foodservice customers from coast to coast plus in the Mid-West. And our award-winning extranet site lets customers place and track orders online any time, and even connect to the railroad carrier site to track delivery schedules.

By streamlining our operations to reduce capacity, focusing on our core competencies and adding innovative ways to deliver value, we have successfully managed our costs while providing the service required by our highest value customers.

Applying insights across our business

Collaborating with our customers and consumers to deliver the products they want in the ways they want them is making a positive impact on our foodservice business as well. Even though we sold our tabletop foodservice business in late 2002, we continue to service the back of the restaurant segment of this industry and remain a strong participant in its growth.

The innovative actions that we have demonstrated in our retail segment are now being transferred to our foodservice business as we look for additional ways of finding products that our customers and their end users need to help drive their profitability.

We have a strong commitment to our core industrial and foodservice business to build profitable relationships with key customers, continuing to manage cost controls, and using technology to reinforce relationships and make it easy for customers to do business with us.

By looking at our product mix from the consumer's perspective, rather than from a manufacturer's point of view, we are creating ways to increase the convenience and value of our products. Our focus to bring innovation to our core commodity business with these broad reaching improvements in the way we market and sell sugar is just the beginning of a new direction for our Company. Our customers, and consumers, have proven they value the convenience and innovation we offer, and we plan to provide a range of new value-added products over the coming years.

Enhancing our leadership with a new perspective

As the foundation of these value-added products and goals to reduce costs, our Company made significant changes in our corporate culture.

We have continued to strengthen our Company by bringing experienced managers from outside the sugar industry to enhance the strong industry knowledge among our team.

In August 2004, Paul Durlacher joined the company as Executive Vice President and Chief Operating Officer. He is responsible for operations, logistics, sales, marketing, customer service and commodities management areas that support our evolving go-to-market strategies.

Mr. Durlacher has an extensive background in operations in the food industry and Imperial's distribution channels. Most recently he served as President and Chief Executive Officer of Maplehurst Bakeries, a producer of cakes, pies, donuts, breads and other similar items.

Mr. Durlacher is leading his team to implement the precise coordination and open communications that will drive our success as we expand our product line and improve operations throughout the Company.

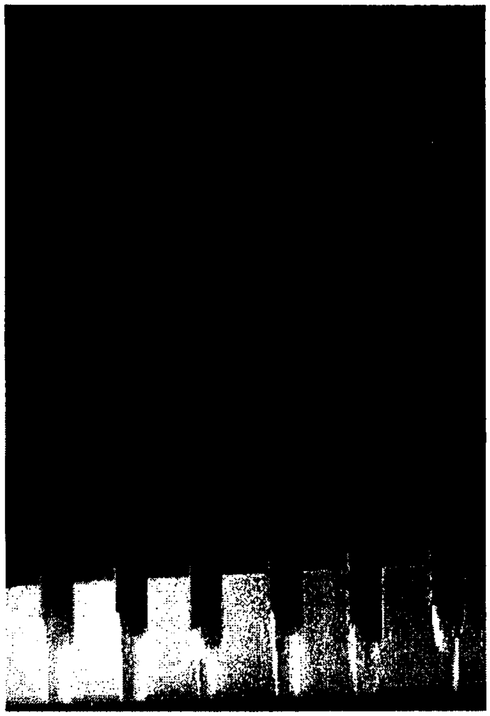
Success is the result of the efforts of all

Another clear competitive differentiator is the dynamic corporate culture we are creating to promote accountability and communication in all areas of the Company.

We have nurtured a "One Company" atmosphere that fosters cooperation at all levels in the Company with a shared commitment to enhanced quality and outstanding customer satisfaction. In weekly broadcast e-mails, CEO Robert Peiser outlines the strategies and tactics that drive business

decisions. Monthly breakfasts and quarterly "town hall" meetings offer an open forum for the exchange of ideas and encourages all of our associates to demonstrate their own initiative and creativity.

The exceptional morale and best-of-class attitude among our associates influences every part of our operations. We are seeing very positive consumer acceptance of our new products, improved margins due to cost efficiencies, streamlined coordination among departments, and a proactive understanding of issues and opportunities at our facilities. All as a response to our focus on collaboration, innovation, and creativity throughout the Company.



Streamlining efficiencies to reduce costs

Thanks to suggestions from our plant managers and operators, we've made significant efficiency enhancements at our plants through process improvements and capital investment.

The Company's debt was paid down through a combination of substantial asset sales and the sale of non-core assets, particularly real estate. Factory efficiencies and capacity right-sizing positively impacted margins. We continue to benefit from significantly reduced operating expenses through closing our Sugar Land refinery in December 2002, and our packaging and distribution operations in Sugar Land in spring of 2003.

We have a significant on-going effort on working capital management, particularly in the receivables area through better collection efforts and strong inventory management. We are also dedicated to continue the drive for conversion cost efficiencies through better processes and capital investment.

The actions taken this year are the first in a series of steps toward improved efficiencies. We are very focused on developing supply chain strategies to reduce expenses through lower freight costs, more efficient scheduling, lower reclamation costs by providing a better product with fewer defects, and improved negotiation strategies to establish predictable purchasing costs.

Award-winning improvements in our technology.

Our Company's innovation in technology supports our vision in a very real and substantial way, as our technology team accomplished some remarkable achievements this year.

We are very proud to have reported earlier in the year that The University of Pennsylvania's Wharton Business School selected Imperial Sugar as one of five finalists in recognition of the significant business improvements this team accomplished

We also developed a customer-focused extranet that makes it easier for companies in each of our business segments to do business with us. Customers can enter orders and view strategic supply chain information around the clock, seven days a week. This technology provides information that allows us to be more responsive to our customers' requirements, even when conditions require last minute modifications to orders or processes.

No other company in our industry provides this kind of strategic information to its customers so efficiently and easily

We are also well underway towards implementing an integrated ERP Supply Chain system that will allow us to process business transactions faster and more accurately than the outdated legacy systems it replaces.

Thanks to these technology enhancements, we will have access to powerful analytical tools and data visibility that will allow us to better define and assess business scenarios, reduce costs, improve customer service, and streamline nearly every decision-making process.

A recipe for a bright future

While we are proud of our accomplishments this year, we understand that becoming a truly innovative leader in our industry is an evolving process.

We know what it takes to create that leadership position. We have built a strong management team, instilled a cohesive value system among our employees, achieved significant financial improvements, developed a clear, measurable marketing strategy, created a solid infrastructure in both technology and operational processes, and outlined specific goals to accomplish in the coming years.

At the same time, we are cognizant of the cyclicality of our industry and other environmental forces that affect our profitability. That is why we are focused on finding ways to reduce volatility through the addition of value added products that are less dependent on the industry cycle. While sugar is most definitely a commodity product, we believe that our approach to the marketplace, which emphasizes innovation, consistency and a consumer packaged goods mentality, rather than the volume driven one common among many of our competitors, will help drive more consistent results over time.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Fiscal Year Ended September 30, 2004

Commission File No. 1-10307

IMPERIAL SUGAR COMPANY
(Exact name of registrant as specified in its charter)

Texas (State or other jurisdiction of incorporation or organization)	**74-0704500** (I.R.S. Employer Identification No.)

One Imperial Square, 8016 Highway 90-A, P.O. Box 9, Sugar Land, Texas 77487-0009
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (281) 491-9181

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
None	Not applicable

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, without par value
Warrants to Purchase Common Stock
Rights to Purchase Preferred Stock
(Title of class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes ☒ No ☐

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant on March 31, 2004, the last business day of registrant's most recently completed second fiscal quarter, based on the last reported trading price of the registrant's common stock on the NASDAQ National Market on that date, was approximately $78 million.

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☒ No ☐

There were 10,378,700 shares of the registrant's common stock outstanding on December 6, 2004.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for registrant's 2005 Annual Shareholders Meeting are incorporated by reference into Part III of this report.

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Forward-Looking Statements

Statements regarding future market prices and margins, future energy costs, future operating results, sugarbeet acreage, operating efficiencies, future government and legislative action, future cost savings, future benefit costs, our liquidity and ability to finance our operations, and other statements that are not historical facts contained in this report on Form 10-K are forward-looking statements. We identify forward-looking statements in this report by using the following words and similar expressions:

- expect
- believe
- plan
- should
- budget
- project
- anticipate
- intend
- may
- estimate
- likely
- could
- predict

Forward-looking statements involve risks, uncertainties and assumptions, including, without limitation, market factors, energy costs, the effect of weather and economic conditions, farm and trade policy, our ability to realize planned cost savings, the available supply of sugar, available quantity and quality of sugarbeets, actual or threatened acts of terrorism or armed hostilities, legislative, administrative and judicial actions and other factors detailed elsewhere in this report and in our other filings with the SEC. Many of such factors are beyond our ability to control or predict. Management cautions against placing undue reliance on forward-looking statements or projecting any future results based on such statements or present or future earnings levels. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual outcomes may vary materially from those indicated. All forward-looking statements in this Form 10-K are qualified in their entirety by the cautionary statements contained in this section and elsewhere in this report.

PART I

ITEM 1. *Business*

Overview

Imperial Sugar Company is one of the largest processors and marketers of refined sugar in the United States. We produce, package and distribute sugar at facilities located in California, Georgia, and Louisiana. For the year ended September 30, 2004, we sold approximately 32 million hundredweight, or cwt, of refined sugar.

We offer a broad product line and sell to a wide range of customers directly and through wholesalers and distributors. Our customers include retail grocers, foodservice distributors and industrial customers, principally food manufacturers. Our products include granulated, powdered, liquid and brown sugars marketed in a variety of packaging options (one pound packages to 100-pound bags and in bulk) under various brands (Dixie Crystals®, Holly®, Imperial®, Pioneer® and Spreckels®) or private labels. In addition, we produce selected specialty sugar products, including Savannah Gold™ (a premium-priced, free-flowing brown sugar), and specialty sugars used in confections and icings.

Imperial Sugar Company was incorporated in 1924 and is the successor to a cane sugar plantation and milling operation begun in Sugar Land, Texas in the early 1800s that began producing granulated sugar in 1843. In 1988, we purchased Holly Sugar Corporation and in April 1996, we acquired Spreckels Sugar Company. We completed our acquisition of Savannah Foods & Industries, Inc. in December 1997 and we acquired Wholesome Sweeteners L.L.C. in September 1998 and Diamond Crystal Specialty Foods, Inc. in November 1998.

On August 29, 2001, Imperial Sugar and substantially all of its subsidiaries emerged from protection under the U.S. Bankruptcy Code, under which they filed for relief in January 2001. Under our plan of reorganization, our old common stock was canceled, our bondholders and some of our trade creditors received 98% of the stock of our reorganized company and some of our creditors received reduced cash and deferred payment settlements. We have applied reorganization and fresh start accounting adjustments to our consolidated balance sheet as of August 29, 2001. Under fresh start accounting, a new reporting entity is considered to be created and the recorded amounts of assets and liabilities are adjusted to reflect their estimated fair values at the date fresh start accounting is applied.

Since the beginning of fiscal 2002, we sold (1) our disposable meal kit business in December 2001, (2) our Michigan Sugar Company subsidiary in February 2002, (3) our Worland, Wyoming sugarbeet factory in June 2002, (4) our Sidney, Montana, Torrington, Wyoming and Hereford, Texas sugarbeet facilities in October 2002 and (5) a significant portion of our foodservice business in December 2002. We also discontinued our Sugar Land, Texas sugar refinery operations in December 2002 and the related packaging and distribution operations in June 2003. We took these actions and others to reduce our debt, to lower our working capital needs, to reduce our costs and to concentrate our resources in our most strategic regions of the Southeast, Southwest, Midwest and the West Coast. In connection with the Michigan Sugar Company sale, we have a multi-year agreement to market all refined sugar production from those facilities.

We also refinanced our senior bank debt and entered into a new $175 million credit facility in December 2002. During the second fiscal quarter of 2004, we repaid in full the term loan outstanding under the facility and entered into an amendment which, among other things, eliminated the minimum fixed charge coverage ratio and provided additional capital structure flexibility. In December 2004, we further amended the credit facility to provide up to $125 million (subject to a borrowing base and seasonal borrowing limit adjustment) of senior secured revolving credit loans at lower rates and under terms that provide more capital structure flexibility and less restrictive covenants. Please read "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources."

Overview of the Sugar Industry

Refined sugar can be produced by either processing sugarbeets or refining raw sugar produced from sugar cane. The profitability of cane sugar and beet sugar operations is affected by government programs designed to support the price of domestic crops of sugar cane and sugarbeets. These government programs affect cane sugar and beet sugar operations differently.

Cane Sugar Production Process

Sugar cane is grown in tropical and semitropical climates throughout the world as well as domestically in Florida, Louisiana, Texas and Hawaii. Sugar cane is processed into raw sugar by raw cane mills promptly after harvest. Raw sugar is approximately 98% sucrose and may be stored for long periods and transported over long distances without affecting its quality. Raw cane sugar imports are limited by United States government programs.

Cane sugar refineries like those we operate purify raw sugar to produce refined sugar. Operating results of cane sugar refineries are driven primarily by the spread between raw sugar and refined sugar prices and by the conversion costs of the refining process.

Beet Sugar Production Process

In contrast to sugar cane, sugarbeets can grow wherever a five-month growing season is possible. In the United States, sugarbeets are grown in California, Colorado, Idaho, Michigan, Minnesota, Montana, Nebraska, North Dakota, Ohio, Oregon, South Dakota, Washington and Wyoming. Harvest periods depend on the growing area, but generally are in the early fall, except in California, where spring and summer harvests occur.

Sugarbeets are highly perishable and must be processed into refined sugar quickly after harvest to avoid deterioration. Sugarbeets may be stored in piles for short periods while awaiting processing where temperatures are sufficiently cool. Sugarbeets are converted to refined sugar through a single continuous process at beet sugar factories which are located near the areas in which sugarbeets are grown in order to reduce freight costs and the risk of deterioration before processing.

The production campaigns at any facility generally last 90 to 200 days, and operating results are driven primarily by the quantity and quality of sugarbeets dedicated to the factory and the net sales prices received for the refined beet sugar. Under industry practice, the beet processor shares a portion of the net sales price with growers through various participation or recovery contracts or cooperative arrangements.

Government Regulation

Federal government programs have existed to support the price of domestic crops of sugarbeets and sugar cane almost continually since 1934. The regulatory framework that currently affects the domestic sugar industry includes the Farm Security and Rural Investment Act of 2002, otherwise known as the Farm Bill, which is effective through September 2008. The Farm Bill provides for loans on sugar inventories to first processors (i.e., raw cane sugar mills and beet processors), implements a tariff rate quota that limits the amount of raw and refined sugar that can be imported into the United States, and imposes marketing allotments on sugarbeet processors and domestic raw cane sugar producers except under certain circumstances. In addition, the North American Free Trade Agreement, or NAFTA, adopted in 1994, limits the amount of sugar that can be imported to and exported from Mexico. To date, NAFTA has had a lesser impact on the United States sugar market than the Farm Bill and its predecessor acts. However, NAFTA may have a greater impact on both demand and supply in the future. Please read "—Sugar Legislation and Other Market Factors."

Domestic Demand

Domestic demand for refined sugar increased each year from 1986 through 2001 (after an earlier period in which sugar consumption declined due primarily to a switch by soft-drink manufacturers from refined sugar to high-fructose corn syrup), and the annual rate of growth over the five-year period ended September 30, 2001 has ranged from 1.5% to 2.0%. Domestic demand declined 0.5% in 2002, due primarily to increased imports of sugar containing products and sugar blends, and has remained relatively flat to slightly increasing since 2003 based on USDA publications. Other industry publications indicate that consumption has been decreasing somewhat since 2002.

Domestic Supply

Reduced demand in the early 1980s due primarily to the switch of soft drink manufacturers to high-fructose corn syrup was absorbed principally by capacity reductions in the cane sugar refining sector. Cane sugar refining capacity then remained relatively flat until 1998, when a competitor constructed a refinery in Florida with a rated annual capacity of approximately 10 million cwt. In December 2002, we closed our Sugar Land, Texas refinery and, in 2003, a competitor closed a domestic refinery operation, eliminating additional capacity. Growth in refined sugar demand during the last decade has been largely satisfied through increased beet sugar production and expansions to a number of existing beet sugar factories to allow for this increase in production. Recently, a competitor announced that it planned to expand in 2005 the Florida refinery built in 1998, which could impact our sales revenue in the Southeast region. Marketing allotments under the Farm Bill may affect future sugarbeet and sugar cane production. These allocations may also limit the amount of domestic raw sugar that is available for refining and may limit sugar available for sales. Please read "—Sugar Legislation and Other Market Factors."

Domestic Refined Sugar Prices

Given the existing domestic supply and demand situation and the current status of government regulation, the price of refined sugar in the United States in recent years has been driven primarily by the amount of beet sugar supply. Historically, good crop years have led to relatively soft refined sugar prices, and small crop years have led to relatively strong refined sugar prices.

Our Products and Customers

Sugar Products

Imperial Sugar is one of the largest processors and marketers of refined sugar in the United States. Refined sugar is our principal product line and accounted for approximately 95% of our consolidated net sales for the year ended September 30, 2004. We produced approximately 85% of our refined sugar from raw cane sugar and 15% from sugarbeets in 2004 and market our sugar products to retail grocers, foodservice distributors and industrial food manufacturers by direct sales and through brokers.

We sell products directly through our sales force and through independent brokers. We maintain sales offices at our headquarters in Sugar Land, Texas and at our office in Port Wentworth, Georgia and at regional locations across the United States. We consider our marketing and promotional activities important to our overall sales effort and we advertise our brand names in both the print media and radio. We also distribute various promotional materials, including discount coupons and compilations of recipes. Our largest customer is Wal-Mart Stores, Inc. which accounted for 10.1% of our net sales in fiscal 2004.

A major objective of ours is to offer new, innovative products to the consumer and foodservice marketplace. As a category, sugar has not experienced as much packaging innovation as some other consumer categories, and we believe that we can increase our grocery market share as well as our margins by offering consumers value-added products that provide easier usage and storage of sugar products. To this end, we introduced four new products to retailers at the end of fiscal 2004 and plan to develop and introduce more products in the future. We also plan to add to our portfolio of products offered to foodservice distributors with particular emphasis on packaging innovation.

Retail Grocery Sales—We produce and sell granulated white, brown and powdered sugar to grocery customers in packages ranging from one-pound packages to 25-pound bags. Retail packages are marketed under the trade names:

- Dixie Crystals®
- Holly®
- Imperial®
- Pioneer®
- Spreckels®

Retail packages are also sold under retailers' private labels, generally at prices lower than those for branded sugar. Core markets for our branded sugar and private label products include the Southeast, Southwest and Midwest United States. Our primary business strategy is to seek to capitalize on our well-known brands to increase sales of our higher-margin branded products as a percentage of total grocery sales. Sales of refined sugar products to retail grocery customers accounted for approximately 34% of our refined sugar sales revenue in fiscal 2004. Of sales made to retail grocery customers in the year ended September 30, 2004, approximately 29% were of our own brands while 71% were sold as private label.

Industrial Sales—We produce and sell refined sugar, molasses and other ingredients to industrial customers, principally food manufacturers, in bulk, packaged or liquid form. Food manufacturers purchase sugar for use in the preparation of confections, baked products, frozen desserts, canned goods and various other food products. Historically, we have made the majority of our sales to industrial customers under fixed price, forward sales contracts with terms of one year or less. Industrial sales generally provide lower margins than grocery and foodservice sales. For the year ended September 30, 2004, our sales of refined sugar products to industrial customers accounted for approximately 53% of our refined sugar sales revenue.

We also produce specialty sugar products and sell them to industrial customers. Specialty sugar products accounted for 5% of industrial sales in fiscal 2004. Specialty sugar products include:

- Savannah Gold™ (a premium-priced, free flowing brown sugar marketed primarily to industrial customers)
- edible molasses
- syrups
- specialty sugars used in confections, fondants and icings.

Foodservice Sales—We sell a variety of sugar products (including granulated, powdered and brown sugar) in package sizes ranging from one-pound packages to 100-pound bags to foodservice distributors who in turn sell those products to restaurants and institutional foodservice establishments. For the year ended September 30, 2004, our sales of refined sugar products to foodservice distributors accounted for approximately 13% of our refined sugar sales revenue. Under terms of our sale of a significant portion of our foodservice business in December 2002, we have agreed not to sell individual servings of sugar and certain non-sugar products for a period of five years following the closing date of that sale.

By-Products

We sell by-products from our beet sugar processing, principally beet pulp and molasses, as livestock feeds to dairymen, livestock feeders and livestock feed processors. The major portion of the beet pulp and molasses produced from sugarbeet operations is sold during and shortly after the sugar-making campaigns. By-products from beet sugar processing are marketed primarily in the United States and accounted for approximately 4% of net revenues for the year ended September 30, 2004. By-product markets are highly competitive because of the availability and pricing of by-products of other sugarbeet processors and corn wet millers, as well as other livestock feeds and grains. The market price of our by-products relative to the price of competitive feeds and grains is the principal competitive determinant. Among other factors, the weather and seasonal abundance of such feeds and grains may affect the market price of by-products.

Beet Seed

We also develop, produce and market commercial seed to beet growers under contract to us as well as to growers under contract to grow for other sugarbeet processors. Our beet seed operations are conducted primarily in Sheridan, Wyoming. For the year ended September 30, 2004, beet seed sales accounted for 1% of our net revenues.

Operational Facilities

We own and operate two cane sugar refineries and two sugarbeet factories. Each facility has packaging and distribution capabilities, is served by adequate transportation and is maintained in good operating condition. The following table shows the location, capacity and production of each of our cane sugar refineries and sugarbeet factories:

Cane Sugar Refineries	Approximate Daily Melting Capacity (cwt)	Fiscal 2004 Production (cwt)
Port Wentworth, Georgia	63,000	15,374,000
Gramercy, Louisiana	46,000	11,726,000
Total	109,000	27,100,000

Beet Sugar Factories	Approximate Daily Slicing Capacity (Tons of Sugarbeets)	Fiscal 2004 Production (cwt)
Brawley, California	9,000	2,829,000
Mendota, California	4,200	2,301,000
Total	13,200	5,130,000

We also operate a packaging and distribution center in Tracy, California and a distribution facility in Ludlow, Kentucky and we contract for throughput and storage at a number of warehouses and distribution stations, including a major distribution center in Houston, Texas.

Raw Materials and Processing Requirements

Raw Cane Sugar

We currently purchase raw cane sugar from domestic sources of supply located in Louisiana and Florida, as well as from various foreign countries. The availability of foreign raw cane sugar for domestic consumption is determined by the import quota level designated by applicable regulation. Of the raw sugar purchased in fiscal 2004 approximately 42% was through long-term contracts with raw sugar producers; 45% was under annual contracts with sugar producers or sugar traders; and 13% was on a spot basis. In fiscal 2004 we purchased all of our raw sugar needs for our Port Wentworth, Georgia refinery under annual or spot contracts with producers and traders and we expect this pattern to continue in 2005. Substantially all of the raw sugar needs for our Gramercy, Louisiana refinery is supplied by local producers under a three-year contract with an association representing these producers that expires on September 30, 2005.

The terms of raw cane sugar contracts vary. Raw cane sugar purchase contracts can provide for the delivery of a single cargo or for multiple cargoes over a specified period or a specified quantity over one or more crop years. Contract terms may provide for fixed prices but generally provide for prices based on the futures market during a specified period of time. The contracts provide for a premium if the quality of the raw cane sugar is above a specified grade or a discount if the quality is below a specified grade. Contracts generally provide that the seller pays freight, insurance charges and other costs of shipping.

Historically, the majority of our industrial sales are under fixed price, forward sales contracts. In order to mitigate price risk in raw and refined sugar commitments, we manage the volume of refined sugar sales contracted for future delivery in relation to the volume of raw cane sugar purchased for future delivery by entering into forward purchase contracts to buy raw cane sugar at fixed prices and by using raw sugar futures contracts.

We have access to approximately 300,000 short tons of aggregate raw sugar storage capacity, including 220,000 short tons of storage capacity at our Port Wentworth, Georgia refinery. At Port Wentworth, we have the capability to segregate our raw sugar inventory, which allows us to store bonded sugar. Bonded sugar is sugar that is not entered at the time of arrival, but stored in a bonded warehouse under federal customs service regulations for entry at a later time.

Sugarbeets

We purchase sugarbeets for our two California beet processing facilities from independent growers under contracts, the form of which is negotiated periodically with an association representing the growers. We contract for acreage prior to the planting season based on estimated demand, marketing strategy, expected impact of marketing allotments, processing capacity and historical crop yields.

The contracts we use provide for payments to the grower based on the sugar content of the sugarbeets delivered by each grower and the net selling price of refined beet sugar during the specified contract year. The net selling price is the gross sales price less certain marketing costs, including packaging costs, brokerage, freight expense and amortization costs for certain facilities used in connection with marketing. Use of a participating contract reduces our exposure to price risks on our refined sugar inventory by causing the price we pay on our sugarbeet purchases to vary with the price received for refined sugar.

Our beet sugar operations depend on the quantity, quality and proximity of sugarbeets available to our factories. Sugarbeet acreage varies depending on factors such as prices anticipated by growers for sugarbeets versus alternative crops, prior crop quality, productivity, availability of irrigation and weather conditions. In addition, the quantity and cost of refined sugar subsequently produced from the sugarbeet crop may be materially affected by the acreage harvested, crop disease, insects and weather conditions during the growing, harvesting, and processing season.

Energy

Sugar manufacturing is an energy intensive process. The primary fuel we use is natural gas, although we also use coal in Brawley, California and Port Wentworth, Georgia. We generate a substantial portion of the electricity used at our refineries and factories. In addition, we have the equipment to use fuel oil at certain locations both as an alternative energy source when the price is more attractive and as a backup to natural gas in the event of curtailment of gas deliveries. In fiscal 2004 we used approximately 4.2 million mmbtu of natural gas, 2.5 million mmbtu of coal and 0.7 million mmbtu of fuel oil and anticipate that similar levels of these energy sources will be used in fiscal 2005.

We typically purchase natural gas and coal supplies under contracts for terms of one year or more that do not contain minimum quantity requirements. Pricing of natural gas generally is indexed to a spot market index and we use financial tools such as futures, options, swaps and caps in an effort to stabilize the price for gas purchases under indexed contracts. Coal is available in abundant supply domestically and we are able to purchase coal competitively. Natural gas prices in fiscal 2004 were significantly higher than in the prior year. Energy prices are expected to be significantly higher in fiscal 2005 than in fiscal 2004.

Other Raw Materials

We use foundry coke and limestone at our Brawley, California beet sugar factory. We generally purchase coke under contracts with one to three-year terms and use rail transportation to deliver the coke to factories.

Domestic coke supplies may become tighter due to environmental restrictions; however, we have the option of converting existing coke-fired equipment to natural gas should the availability and economics of coke so dictate. The price of coke has risen recently and we expect to pay higher prices in 2005.

Seasonality

Sales of refined sugar are somewhat seasonal, normally increasing during the third and fourth fiscal quarters because of increased demand of various food manufacturers and processors. Shipments of specialty products (brown and powdered sugar) increase in the first fiscal quarter due to holiday baking needs. Our second fiscal quarter ending March 31 historically has experienced lower revenues and earnings than our other fiscal quarters as a result of reduced demand for refined sugar, margin reduction from product mix changes and lower absorption of fixed costs of our cane refineries, as well as reduced inventories of refined sugar produced from sugarbeets in the period prior to the commencement of the seasonal sugarbeet campaign.

Although the refining of cane sugar is not seasonal, the production of beet sugar is a seasonal activity. Each of our beet sugar factories operates during sugar-making campaigns, which generally begin in early April and total 150 days to 200 days in length each year, depending on the supply of sugarbeets available to the factory. The seasonal production of sugarbeets requires us to store significant refined sugar inventory at each sugarbeet factory.

Sugar Legislation and Other Market Factors

Our business and results of operations are substantially affected by market factors, principally the domestic prices for refined sugar and raw cane sugar and the quality and quantity of sugarbeets available to us. These market factors are influenced by a variety of forces, including the number of domestic acres contracted to grow sugarbeets, prices of competing crops, weather conditions and United States farm and trade policies.

The principal legislation currently supporting the price of domestic crops of sugar cane and sugarbeets is the Farm Security and Rural Investment Act of 2002, otherwise known as the Farm Bill, which became effective October 1, 2002 and extended the sugar price support program for sugar cane and sugarbeets until 2008.

Farm Bill

The Farm Bill has three important aspects:

- *Non-recourse Loan Program.* The Farm Bill provides for a loan program (continued from predecessor acts) covering sugar cane and sugarbeet crops during the 2002 to 2008 period. The program authorizes the Commodity Credit Corporation, or CCC, a federally owned and operated corporation within the U.S. Department of Agriculture, or USDA, to extend loans to first-processors of domestically grown sugar cane and sugarbeet crops secured by sugar inventories from current year crop production at rates of approximately 18 cents per pound for raw cane sugar and 22.9 cents per pound for refined beet sugar. CCC loans are non-recourse and mature the earlier of nine months after the date of the loan or September 30 each year. The program provides price support to the first-processor by effectively enabling the sale of raw cane sugar and refined beet sugar by forfeiture of the collateral at the respective loan rates in the event that the market prices drop below the loan-advance levels.
- *Tariff-rate Quota System.* The tariff-rate quota, or TRQ, element of the Farm Bill limits the amount of raw and refined sugar that can be imported into the United States, subject to a minimum amount mandated under the General Agreement on Tariffs and Trade (currently 1.278 million short tons), by imposing a tariff, currently $17.60 per cwt, on over-quota sugar that makes its import uneconomical. The government administers the program by adjusting duties and quotas for imported sugar to maintain domestic sugar prices at a level that discourages loan defaults under the non-recourse loan program. To the extent a processor sells refined sugar for export from the United States, it is entitled to import an equivalent quantity of non-quota eligible foreign raw sugar.

- *Marketing Allotments.* The Farm Bill provides that marketing allotments on sugarbeet processors and domestic raw cane sugar producers who supply raw sugar may be imposed by the USDA but that these allotments may be removed if imports of raw sugar exceed 1.532 million short tons. Marketing allotments can have the effect of reducing the amount of domestic sugar that is available for marketing and strengthening sugar prices. Marketing allotments were in force in fiscal 2004 and continue to be in force for fiscal 2005. The USDA can adjust allotments to meet changing market situations.

The Farm Bill requires that the USDA operate its non-recourse sugar loan program so as to avoid forfeiture of sugar to the CCC to the maximum extent possible, although small amounts of sugar were forfeited by certain producers in 2004. To this end, the USDA has the authority to accept bids from sugar cane and sugarbeet processors to obtain raw cane sugar or refined beet sugar in CCC inventory in exchange for reduced production of raw cane sugar or refined beet sugar. This payment-in-kind authority, if employed by the USDA, effectively moves inventories of CCC-owned sugar back into the market without increasing overall supply.

Free Trade Initiatives

The North American Free Trade Agreement, or NAFTA, contains provisions that allow Mexico to increase its raw or refined sugar exports to the United States to 275,576 short tons raw value by 2007, if Mexico is projected to produce a net surplus of sugar. In October 2008, NAFTA sugar duties and quotas expire and sugar may be freely traded between the United States and Mexico. The NAFTA sugar agreement currently is under renegotiation by the governments of the United States and Mexico and Mexican access to the United States market could be greater in future periods.

In addition to NAFTA, a number of other trade initiatives and negotiations involving the Americas and other quota holding countries are evolving. In the past year, the United States signed (subject to Congressional ratification) free trade agreements with certain Central American producers and the Dominican Republic, which has evolved into the Central American Free Trade Agreement, or CAFTA. The United States has also negotiated a trade agreement with Australia and is currently negotiating the Free Trade Agreement of the Americas, and other agreements with countries in the Andean pact, South African Customs Union, Panama, Mercosur, Thailand and others. The agreements cover many trade issues between the United States and these countries, with sugar being an important subject in all of the negotiations. Although the Australian agreement did not include additional sugar imports to the United States, CAFTA would, if ratified, initially add approximately 100,000 short tons and additional access may be included in some or all of the other agreements. (The United States government recently announced that it would remove the Dominican Republic from CAFTA due to the recent imposition of taxes on certain non-sugar products by the Dominican Republic.) In addition, a World Trade Organization round of negotiations is in progress. While the impact of these negotiations is unknown at this time, they could provide for additional sugar access into the United States. The domestic sugar industry has opposed these agreements as the amount of sugar allowed access may exceed the growth in domestic sugar demand with the result that additional supplies could result in a reduction of domestic prices for refined sugar and in the amount of domestic sugar that could be sold. We cannot yet determine the impact, if any, on the domestic sugar industry and our sugar business should one or more of these trade initiatives become effective.

Environmental Regulation

Our operations are governed by various federal, state and local environmental regulations and these regulations impose effluent and emission limitations, and requirements regarding management of water resources, air resources, toxic substances, solid waste, and emergency planning. We make application for environmental permits required under federal, state and local regulations and we have obtained or have filed for environmental permits as required in California, Florida, Georgia, Louisiana and Texas.

Remediation

The soil and ground water at our Mendota, California facility has been found to have elevated concentrations of salts. In the mid-1990's, we developed a prevention plan to install a clay cap on the area of concern and to treat the affected ground water. The prevention plan will be accomplished over a 20- to 30-year period, and we have recorded a $1.0 million liability for the present value of the estimated future costs to install the cap in accordance with the plan established with local authorities.

As a result of the cessation of sugar production at our facilities in Clewiston, Florida, Hamilton City, California, Sugar Land, Texas and Tracy, California, we expect that we will be required to incur costs to remediate certain production areas, including possibly the removal of material from former production settling ponds in accordance with waste discharge requirements. Additional expenditures also may be required to comply with future environmental protection standards, although the amount of any further expenditures cannot be fully estimated. We have recorded a liability of $1.3 million based on management's estimates of the remediation costs likely to be incurred in connection with remediating these production areas.

Research

We operate research and development centers in Sugar Land, Texas and Port Wentworth, Georgia where we conduct research relating to:

- manufacturing process technology
- factory operations
- food science
- new product development.

In Port Wentworth, we operate a pilot plant where we have developed sugar products co-crystallized with other flavors such as honey. We market the co-crystallized specialty products produced at the pilot plant.

Competition

We compete with other cane sugar refiners and beet sugar processors and, in certain product applications, with producers of other nutritive and non-nutritive sweeteners, such as high-fructose corn syrup, aspartame, saccharin, sucralose and acesulfam-k. We also compete with foodservice companies and resellers in distributing bag sugar products. Our principal business is highly competitive, where the selling price and our ability to supply a customer's needs in a timely fashion are important competitive considerations.

Employees

At November 30, 2004, we employed 1,172 year-round employees. In addition, we employ approximately 200 seasonal employees over the course of a year in our California sugarbeet operations. Our Port Wentworth, Georgia refinery employs non-union labor. Substantially all of the employees at our other plants are covered by collective bargaining agreements which expire in February 2005 in Louisiana and March 2007 in California.

Available Information

Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to these reports are available free of charge on our web site located at *www.imperialsugar.com* as soon as reasonably practicable after we file or furnish these reports electronically with the SEC.

ITEM 2. ***Properties***

We own each of our cane sugar refineries, sugarbeet factories, beet seed processing facility, our packaging and distribution facility in Tracy, California, and our corporate headquarters in Sugar Land, Texas. We operate a distribution facility in Kentucky, and contract for throughput and storage at a number of warehouses and distribution stations. We own additional acreage at our refineries and factories that is used primarily for settling ponds and as buffers from nearby communities or is leased as farm and pasture land. Certain of these properties are subject to liens securing our bank debt. We are actively marketing the real estate for our former Clewiston, Florida refinery, Hamilton City, California factory and our Sugar Land, Texas refinery site. Please read "Item 1. Business—Operational Facilities."

ITEM 3. ***Legal Proceedings***

We are a party to litigation and claims that are normal in the course of our operations. While the results of litigation and claims cannot be predicted with certainty, we believe the final outcome of such matters will not materially and adversely affect our consolidated results of operations, financial position or cash flows.

In accordance with our plan of reorganization, we are working to resolve four remaining disputed claims of our pre-petition trade creditors in the U.S. Bankruptcy Court for the District of Delaware. We expect that these remaining claims will be resolved during fiscal 2005. As we resolve disputed claims, we are distributing to the remaining pre-petition trade creditors cash or common stock as provided under the plan of reorganization.

In conjunction with the closure of the Sugar Land, Texas refinery in December 2002, the refinery's union filed three similar grievances alleging that we owed unspecified severance benefits pursuant to the collective bargaining agreement. We contested the grievances, and an arbitrator's decision on the first grievance, announced in December 2003, agreed with our position and denied the grievance. The time for appeal of this decision has expired. We believe that the two remaining severance grievances are without merit and that the risk of loss in this matter is remote. We are also involved in litigation with two ex-employees who asserted contract and severance claims subsequent to their departure from the Company. We believe that the risk of material loss in these matters is remote.

ITEM 4. ***Submission of Matters to a Vote of Security Holders***

None.

EXECUTIVE OFFICERS OF THE REGISTRANT

The table below sets forth the name, age and position of our executive officers as of December 6, 2004. Our by-laws provide that each officer shall hold office until the officer's successor is elected or appointed and qualified or until the earlier of the officer's death, resignation or removal by the Board of Directors.

Name	Age	Positions
Robert A. Peiser	56	President and Chief Executive Officer
Paul Durlacher	52	Executive Vice President and Chief Operating Officer
T. Kay Hastings	42	Senior Vice President—Human Resources
Patrick D. Henneberry	50	Senior Vice President—Commodities
William F. Schwer	57	Senior Vice President, Secretary and General Counsel
Darrell D. Swank	41	Senior Vice President and Chief Financial Officer
H.P. Mechler	51	Vice President—Accounting and Finance
J. Eric Story	41	Vice President and Treasurer

Mr. Peiser became President and Chief Executive Officer in April 2002. Prior to joining Imperial, Mr. Peiser served as Chairman and Chief Executive Officer of Vitality Beverages, Inc. of Tampa, Florida, a privately owned beverage company, from July 1999 to February 2002.

Mr. Durlacher joined Imperial as Executive Vice President and Chief Operating Officer in September 2004. Mr. Durlacher was a management consultant from May 2003 to September 2004, and served as president and chief executive officer of Maplehurst Bakeries, an Indiana producer of cakes, pies, donuts, breads and other similar items from July 1999 to May 2003. During the previous 10 years, he served in various executive management positions, including chief financial officer and chief operating officer, for Interbake Foods, a manufacturer of cookies, crackers and other baked goods.

Ms. Hastings joined the Company as Senior Vice President—Human Resources in June 2003. Prior to joining Imperial, she served as Senior Vice President-Human Resources for Big V Supermarkets/Shoprite, a privately held grocery chain and member of the Wakefern Food Cooperative, from 1999 to 2002. From 1997 to 1999, Ms. Hastings held domestic and international management roles as Director of Training and Special Projects with Hechinger Investment Company and with Wal Mart International-Mexico.

Mr. Henneberry joined Imperial as Senior Vice President—Commodities in July 2002. Prior to joining Imperial, he was employed by Louis Dreyfus Corporation a commodities trading firm from 1984 to 2002. His more recent positions with Louis Dreyfus were: Vice President, Alcohol Division September 2001 to July 2002, Vice President, Louis Dreyfus eBusiness Ventures from May 2000 to March 2002 and Executive Vice President, Louis Dreyfus Sugar Company from April 1996 to April 2000.

Mr. Schwer became Senior Vice President in July 1999 and served as Managing Director from October 1995 to July 1999, and General Counsel since 1989. He also served as Senior Vice President from 1993 to 1995. Mr. Schwer joined Holly Sugar Corporation, which we acquired in 1988, as Assistant General Counsel in that year.

Mr. Swank joined Imperial as Senior Vice President and Chief Financial Officer in September 2002. Prior to joining Imperial, he served as Executive Vice President, Chief Financial Officer and Corporate Secretary of Purina Mills, Inc., a leading branded consumer and agricultural feed manufacturer in the U.S. from April 1998 to February 2002. Before Purina Mills, Inc., Mr. Swank was the Chief Financial Officer of Koch Agriculture, a division of Koch Industries, Inc.

Mr. Mechler became Vice President—Accounting and Finance in February 2003 and was Vice President—Accounting from April 1997 to February 2003. Mr. Mechler had been Controller since joining Imperial in 1988.

Mr. Story was promoted to Vice President and Treasurer in September 2004 and previously served as Treasurer of the Company since February 2003. He joined Savannah Foods & Industries, Inc. in 1987, which we acquired in 1997, and has held a number of finance and accounting positions within both Savannah Foods & Industries and Imperial. He became corporate controller for Savannah in 1994 and director of planning and analysis for Imperial in 2002.

Prior to February 2003, the senior vice presidents noted above were executive vice presidents.

PART II

ITEM 5. *Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities*

Market Price of Common Equity and Related Shareholder Matters

Our common stock currently is listed on the NASDAQ National Market System under the symbol "IPSU". As of December 6, 2004, there were approximately 2,000 shareholders of record of our common stock.

The following table contains information about the high and low sales price per share of our common stock for fiscal years 2004 and 2003. Shares of our common stock traded on the OTC Bulletin Board until October 16, 2003 when the common stock began trading on the NASDAQ National Market System. Information about OTC bid quotations represents prices between dealers, does not include retail mark-ups, mark-downs or commissions, and may not necessarily represent actual transactions. Market prices since April 16, 2003 are closing prices as reported by NASDAQ.

	Sales Price	
Three months ended	High	Low
Fiscal 2003		
December 31, 2002	$ 5.01	$ 1.11
March 31, 2003	6.40	5.06
June 30, 2003	10.60	6.01
September 30, 2003	11.40	7.03
Fiscal 2004		
December 31, 2003	$14.31	$ 9.64
March 31, 2004	14.80	11.35
June 30, 2004	13.80	11.30
September 30, 2004	14.65	13.30

On August 29, 2001, Imperial Sugar's plan of reorganization became effective. Under the plan of reorganization, an aggregate of 10,000,000 shares of common stock were issued to persons who were common shareholders and creditors of Imperial Sugar immediately prior to effectiveness of the plan of reorganization. As of December 6, 2004, 282,278 shares of common stock were not yet distributed pursuant to the plan of reorganization pending finalization of certain claims. Pursuant to the plan of reorganization, warrants expiring in August 2008 to purchase an aggregate of 1,111,111 shares of Imperial Sugar's common stock at $31.89 per share were issued to persons who were common shareholders of Imperial Sugar immediately prior to effectiveness of the plan of reorganization. The warrants trade on the NASDAQ National Market System under the symbol "IPSUW".

Dividend Policy

Our current credit agreement limits the payment of dividends, other than dividends payable solely in our capital stock, if our average total liquidity (defined as the average of the borrowing base, less average actual borrowings and letters of credit), after adjustment on a pro forma basis for such payment, is less than $20 million. On December 7, 2004 our Board of Directors instituted a regular quarterly dividend and declared a cash dividend on shares of our common stock of $0.05 per share, payable January 26, 2005 to shareholders of record on January 12, 2005. The determination to declare or pay future dividends out of funds legally available for that purpose will be at the discretion of our board of directors and will depend on our future earnings, results of operations, financial condition, capital requirements, any future contractual restrictions and other factors our Board of Directors deems relevant.

ITEM 6. *Selected Financial Data*

The following selected consolidated financial information is derived from the consolidated financial statements of Imperial Sugar for periods both before and after emerging from bankruptcy protection in August 2001. This consolidated financial data should be read in conjunction with our consolidated financial statements including the related notes, and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" included in this report.

The consolidated statements of operations information for the periods ended September 30, 2004, 2003, 2002 and 2001 and the consolidated balance sheet information at September 30, 2004, 2003, 2002 and 2001 reflect our financial position and operating results after the effect of our plan of reorganization and the application of the principles of fresh start accounting in accordance with the provisions of Statement of Position 90-7, "Financial Reporting by Entities in Reorganization under the Bankruptcy Law" ("SOP 90-7"). Accordingly, such financial information is not comparable to our historical financial information before August 29, 2001.

Selected financial data for the last six periods is as follows (in thousands of dollars, except per share data):

	Successor Company				Predecessor Company	
	Year Ended September 30,			Period from August 30, 2001 to September 30, 2001	Period from October 1, 2000 to August 29, 2001(2)	Year Ended September 30, 2000
	2004	2003(1)	2002			
For the Period:						
Net Sales	$963,641	$1,110,811	$1,104,904	$ 114,934	$1,198,771	$ 1,505,346
Operating Income (Loss)	23,497	7,968	23,487	(4,681)	(53,028)	(42,106)
Income (Loss) Before Cumulative Effect and Discontinued Operations	14,964	1,967	(1,271)	(7,590)	(334,138)	(48,674)
Net Income (Loss)	14,964	76,657	16,417	(6,464)	(316,340)	(34,677)
Per Share Data:						
Basic Income (Loss) per Share:						
Before Cumulative Effect and Discontinued Operations	$ 1.46	$ 0.20	$ (0.13)	$ (0.76)	$ (10.31)	$ (1.51)
Net Income (Loss)	1.46	7.66	1.64	(0.65)	(9.76)	(1.07)
Diluted Income (Loss) per Share:						
Before Cumulative Effect and Discontinued Operations	$ 1.38	$ 0.19	$ (0.13)	$ (0.76)	$ (10.31)	$ (1.51)
Net Income (Loss)	1.38	7.44	1.64	(0.65)	(9.76)	(1.07)
Cash Dividends Declared per Share	—	—	—	—	—	—
At Period End:						
Total Assets	$415,810	$ 418,166	$ 444,600	$ 521,207		$ 1,060,269
Long-term Debt-Net	6,707	10,975	148,878	226,779		20,000(3)
Total Shareholders' Equity	176,201	121,413	98,260	79,657		318,601

(1) Net income includes a gain on sale of discontinued operations of $69.8 million.

(2) Includes fresh start adjustments aggregating $453.2 million and reorganization costs totaling $19.7 million.

(3) At September 30, 2000, substantially all of our long-term debt was reclassified to current.

ITEM 7. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

This discussion is intended to provide the reader with information that will assist in understanding our financial statements, the changes in certain key items in those financial statements from year to year, and the primary factors that accounted for those changes. This discussion should be read in conjunction with information contained in the consolidated financial statements and the related notes thereto.

Overview

Imperial Sugar Company is one of the largest processors and marketers of refined sugar in the United States. We produce, package, and distribute sugar at facilities in California, Georgia, and Louisiana. We operate in a single domestic business segment, which produces and sells refined sugar and related products. Revenues, volumes, costs and expenses of discontinued operations have been segregated from continuing operations in the Consolidated Statements of Operations and in the following discussion and analysis of results of operations.

Our results of operations substantially depend on market factors, including the demand for and price of refined sugar, the price of raw cane sugar, the quantity and quality of sugarbeets available to us, and the availability and price of energy and other resources. These market factors are influenced by a variety of external forces that we are unable to predict, including the number of domestic acres contracted to grow sugar cane and sugarbeets, prices of competing crops, domestic health and eating trends, competing sweeteners, weather conditions and United States farm and trade policy. The domestic sugar industry is subject to substantial influence by legislative and regulatory actions. The current farm bill limits the importation of raw cane sugar and the marketing of refined beet and raw cane sugar, potentially affecting refined sugar sales prices and volumes as well as the supply and cost of raw material available to our cane refineries. Please read "Item 1. Business—Sugar Legislation and Other Market Factors" and "—Competition" and "—Overview of the Sugar Industry."

Weather conditions during the growing, harvesting and processing seasons, the availability of acreage to contract for sugarbeets, as well as the effects of crop diseases and insects, may materially affect the quality and quantity of sugarbeets available for purchase as well as the costs of raw materials and processing. Please read "Item 1. Business—Raw Materials and Processing Requirements."

Results of Operations

Fiscal Year Ended September 30, 2004

Our results of operations primarily depend on our success in achieving appropriate spreads of sugar sales prices over raw material costs and our ability to control our manufacturing, distribution and administrative costs. Net revenues decreased by 13% in fiscal 2004 compared to fiscal 2003, primarily as a result of decreased sales volumes and lower industrial prices.

	Fiscal Year Ended September 30,	
	2004	2003
	(in Millions of Dollars)	
Net Revenues:		
Sugar Sales	$915	$1,070
By-product Sales	36	30
Beet Seed Sales and Other Revenue	13	11
Net Revenues	$964	$1,111

Sugar sales comprised approximately 95% of our net revenues in fiscal 2004 and 2003. Sugar sales volumes and prices were:

	Fiscal Year Ended September 30,			
	2004		2003	
	Volume	Price	Volume	Price
	(000 cwt)	(per cwt)	(000 cwt)	(per cwt)
Sugar Sales:				
Industrial	18,911	$ 25.89	22,561	$ 26.40
Consumer	9,680	32.19	10,675	32.03
Foodservice	3,605	31.68	4,263	31.09
Sugar Sales	32,196	$ 28.43	37,499	$ 28.53

A decline in overall sugar sales in fiscal 2004 led to the decrease in net revenues. Volume decreased by 14.1% in fiscal 2004, primarily as a result of softness in an oversupplied market leading to increased competitive pressures, especially in the southeast consumer branded and industrial markets. In many instances, we chose not to pursue industrial sales at very low prices. Additionally, we rationalized our sales after the closure of the Sugar Land refinery in fiscal 2003. Somewhat lower domestic sugar consumption also contributed to lower sales volume. Prices for the period decreased on an overall basis by $0.10 per cwt, or 0.4%. A surplus of sugar on the market, primarily as a result of large domestic sugarbeet crops and lower domestic consumption resulted in a decrease in industrial prices in fiscal 2004 compared to fiscal 2003. We expect this trend in domestic industrial prices to continue in fiscal 2005. Decreases in industrial sugar sales significantly affect our business as they represent more than half of our sugar sales. Industrial sales prices were down 1.9% for fiscal 2004 because of lower domestic sales prices and to a lesser extent, a shift in product mix, including a higher mix of world sugar sales which are made at lower sales prices.

Our gross margin improved to 8.2% of sales in fiscal 2004 compared to 7.3% in fiscal 2003, primarily due to lower raw material costs and efficiencies gained in our cane refining operations, which offset higher energy costs and lower sales prices. Our cost of raw cane sugar, which is the raw material for 85% of our sugar sales, decreased from $21.60 per cwt (on a raw market basis) in 2003 to $21.29 per cwt in 2004, or 1.4%. Sugarbeets are purchased from growers under contracts which relate the cost of beets with the average selling prices of sugar, effectively sharing a fixed percentage of the final sales price. Thus, sugarbeet costs decreased in fiscal 2004 proportionate with the decreased sales price. The closure of our Sugar Land refinery in 2003 reduced costs and accounted for a 1.9% improvement in the gross margin percentage in fiscal 2004. On a comparable refinery basis, manufacturing costs were up due to increased fuel prices.

Our sugar manufacturing operations are an energy intensive process, consuming approximately 7.5 million mmbtu annually. While we utilize coal and fuel oil in a portion of our operations, natural gas provided the majority of the energy for our plants. We purchase over 4 million mmbtu of natural gas annually and our average cost, after hedging activity, increased to $5.38 per mmbtu in fiscal 2004 compared to $3.82 per mmbtu in 2003. We were able to mitigate some of the impact of the increase in natural gas costs by switching to less expensive alternate fuels where possible. Energy costs have continued to rise and we expect them to be a larger part of our costs in fiscal 2005. As of November 30, 2004 we had purchased or hedged approximately 59% of our anticipated natural gas requirements for fiscal 2005. If the remaining 41% were purchased at the traded futures prices on that date, our natural gas costs in 2005 would increase approximately $1.97 per mmbtu. The costs of our other energy sources have also increased. We have contracted for our coal supplies for 2005 of approximately 2.5 million mmbtu, at rates that are $1.53 per mmbtu higher than fiscal 2004. If we were to purchase the remaining uncontracted portion of our anticipated energy requirements at prices equal to the prevailing futures market prices on November 30, 2004, our fiscal 2005 energy costs, including previously priced amounts, would be approximately $12 million higher than in fiscal 2004.

Selling, general and administrative expense for fiscal 2004 decreased $11.4 million or 21.8% from fiscal 2003, primarily attributable to decreased compensation costs, lower benefits expenses and prior year charges for

restructuring our capital requirements. Compensation costs decreased $4.7 million in the current year as a result of reduced staffing levels and a number of open positions for a majority of the year. Medical, pension and other benefits costs were $4.0 million less than fiscal 2003 primarily as a result of plan changes and decreased staffing levels. Professional service fees were $2.7 million lower than the prior year related to initiatives in fiscal 2003 to rationalize our business and restructure our capital requirements. The company also experienced decreased bad debt expenses, which were offset by increases in advertising costs and recruiting fees and expenses in fiscal 2004. We expect that selling, general and administrative costs will increase in fiscal 2005 as a result of filling key staffing vacancies, higher pension and medical costs, as well as anticipated increases in marketing spending.

In connection with the decision to discontinue packaging and distribution in Sugar Land in fiscal 2003, we reduced the estimated remaining useful lives of certain facilities and equipment and recorded an additional $4 million of depreciation and amortization during fiscal 2003. There was no such charge in fiscal 2004. The increase in depreciation exclusive of this charge is related to increased capital expenditures.

As a result of the items discussed above, operating income improved to $23.2 million for the year ended September 30, 2004 from $8.0 million for the year ended September 30, 2003. Operating income includes charges (credits) which affect comparability between periods as follows:

	Fiscal Year Ended September 30, 2004	Fiscal Year Ended September 30, 2003
	(in Millions of Dollars)	
Charges (Credits) Included in Operating Income:		
Loss (Gain) on Asset Sales, Impairment and Other Costs:		
Loss (Gain) on Asset Sales	$ 0.3	$ (2.9)
Impairment and Other Costs	—	4.4
Discount on Receivables Sold	—	1.9
Selling, General and Administrative Expense:		
Severance Costs—Headquarters	0.2	0.8
Professional Fees and Expenses for Restructuring	0.5	3.2
Additional Depreciation on Assets Closed/Sold	—	4.0

- Gains and losses on asset sales are detailed in Note 12 to the Consolidated Financial Statements.
- Asset impairment charges are primarily associated with the discontinuance of refining operations at our Sugar Land refinery in fiscal 2003, including impairment of inventory, severance and environmental costs. Additionally, we recorded charges to reduce the carrying value of assets held for sale. There were no comparable charges or credits in fiscal 2004.
- Discounts on receivables sold were incurred in connection with the Company's accounts receivable securitization facility, which was terminated in December 2002 in connection with the refinancing of the senior bank debt.
- Severance costs incurred in connection with corporate headquarters staff reductions in fiscal 2004 and 2003 are included in selling, general and administrative expense.

Interest expense-net increased $0.9 million in fiscal 2004 as a result of the elimination of interest income earned on the Michigan Sugar note after its repayment in December 2003, as well as a credit in fiscal 2003 for a refund of interest in connection with repayment of the senior bank debt in December 2002. These two changes more than offset lower interest on reduced borrowing levels.

Other income includes dividends, royalties and other distributions from cost basis investments and joint ventures. In fiscal 2003 we received a liquidating distribution of $2.2 million from the de-mutualization of an insurance company we had purchased key-man life insurance policies from a number of years ago.

Detail of our provision for income taxes, including a reconciliation to the statutory federal rates, is provided in Note 7 to the Consolidated Financial Statements. We currently are not paying federal income taxes on our earnings and have net operating loss carryforwards which aggregate approximately $24 million, including approximately $9 million generated in fiscal 2004, primarily as a result of excess depreciation and pension deductions.

Fiscal Year Ended September 30, 2003

Sugar sales comprised 96% of our net revenues in fiscal 2003, up from 95% in 2002.

	Fiscal Year Ended September 30, 2003	Fiscal Year Ended September 30, 2002
	(in Millions of Dollars)	
Net Revenues:		
Sugar Sales	$1,070	$1,055
By-product Sales	30	33
Beet Seed Sales and Other Revenue	11	17
Net Revenues	$1,111	$1,105

Sugar sales revenues increased slightly in fiscal 2003, primarily as a result of higher prices attributable to improved market conditions, as well as a higher mix of consumer products, which carry higher prices, due to rationalizing our industrial business after the closure of our Sugar Land, Texas refining operations in December 2002.

	Fiscal Year Ended September 30,			
	2003		2002	
	Volume	Price	Volume	Price
	(000 cwt)	(per cwt)	(000 cwt)	(per cwt)
Sugar Sales:				
Industrial	22,561	$26.40	23,059	$26.19
Consumer	10,675	32.03	10,586	31.31
Foodservice	4,263	31.09	4,107	29.25
Sugar Sales	37,499	$28.53	37,752	$27.96

Volumes decreased 0.7 % in fiscal 2003, primarily as a result of the Sugar land refinery closure.

Our gross margin improved to 7.3% of sales in fiscal 2003 compared to 6.5% in 2002, primarily due to better spreads of sugar selling prices over raw material costs and our ability to reduce per unit manufacturing costs. Our cost of raw cane sugar, which is the raw material for 85% of our sugar sales, increased from $21.08 per cwt (on a raw market basis) in 2002 to $21.60 per cwt in 2003 or 2.5%. Sugarbeets are purchased from growers under contracts which relate the cost of beets with the average selling prices of sugar, effectively sharing a fixed percentage of the final sales price. Thus, sugarbeet cost increased in fiscal 2003 proportionate with the increased sales price. Sugar manufacturing is an energy intensive process, and while we utilize coal and fuel oil in a portion of our operations, the largest energy source for our plants is natural gas. We purchase 4 to 5 million mmbtu annually and our average cost of natural gas, after hedging activity, increased to $3.82 per mmbtu in fiscal 2003 compared to $3.42 per mmbtu in 2002. We were able to mitigate the impact of the increase in natural gas costs by switching to less expensive alternate fuels where possible and improving energy efficiency, resulting in a 4% increase in energy cost per unit of production in fiscal 2003. Other manufacturing costs decreased in fiscal 2003, primarily due to more efficient refinery operations following the cessation of refining in Sugar Land and to commensurate increases in volume at our remaining refineries.

Selling, general and administrative expense decreased 2.3% in fiscal 2003. We reduced staffing levels and undertook other cost reduction programs in response to the downsizing of our sales volumes and manufacturing activities. SG&A expenses include $0.8 million of severance and other termination costs in fiscal 2003, incurred as a result of these actions. Severance and other termination costs were $1.6 million in fiscal 2002. Additionally, we incurred $3.2 million of professional fees and other costs in 2003 in connection with our initiatives to rationalize businesses and restructure capital requirements, including trailing bankruptcy costs of $0.6 million, compared to $5.6 million of such costs in fiscal 2002. Partially offsetting these decreases were $4.1 million of higher medical and incentive compensation costs.

Depreciation and amortization costs increased $2.1 million in 2003 as a result of $4.0 million of additional depreciation in 2003 due to the determination to close the Sugar Land operations. This additional depreciation was partially offset by a reduction in depreciation as a result of the sales of the Michigan and Worland, Wyoming sugarbeet factories, which occurred during fiscal 2002.

Gains on asset sales decreased $21.1 million primarily because of the Michigan Sugar sale in 2002. Additionally, in fiscal 2003 we recorded impairment and other charges totaling $4.3 million, primarily related to the Sugar Land closure and the adjustment of assets held for sale. Gains and losses on asset sales and impairment and other charges are described in more detail in Note 12 to the Consolidated Financial Statements.

As a result of the items discussed above, operating income declined from $23.5 million for the year ended September 30, 2002 to $8.0 million for the year ended September 30, 2003. Operating income includes charges (credits) which affect comparability between periods as follows:

	Fiscal Year Ended September 30,	
	2003	2002
	(In Millions of Dollars)	
Charges (Credits) Included in Operating Income:		
Loss (Gain) on Asset Sales, Impairment and Other Costs:		
Gain on Asset Sales	$ (2.9)	$ (24.0)
Impairment and Other Costs	4.4	—
Discount on Receivables Sold	1.9	2.7
Selling, General and Administrative Expense:		
Severance Costs—Headquarters	0.8	1.6
Professional Fees and Expenses for Restructuring	3.2	5.6
Additional Depreciation on Assets Closed/Sold	4.0	1.5
Lease Income on Facilities Prior to Sale	—	(6.5)

- Gain on asset sales are detailed in Note 12 to the Consolidated Financial Statements.
- Asset impairment charges are primarily associated with the discontinuance of refining operations at our Sugar Land refinery in fiscal 2003, including impairment of inventory, severance and environmental costs. Additionally, we recorded charges to reduce the carrying value of assets held for sale. There were no comparable charges or credits in fiscal 2002.
- Discounts on receivables sold were incurred in connection with the Company's accounts receivable securitization facility, which was terminated in December 2002 in connection with the refinancing of the senior bank debt.
- Severance costs incurred in connection with corporate headquarters staff reductions in fiscal 2002 and 2003 are included in selling, general and administrative expense.
- Selling, general and administrative expense also includes professional fees and other costs incurred in connection with our initiatives to rationalize businesses and restructure capital requirements, including trailing bankruptcy costs, in 2002 and 2003.

- Additional depreciation related to the closing and the reduced asset lives of the Sugar Land facility was recorded in the fiscal year 2003. Depreciation related to the Michigan and Worland sugarbeet facilities prior to their sale was recorded for the period ending September 30, 2002.
- Lease income was recorded on the Michigan and Worland sugarbeet facilities prior to their sale in fiscal year 2002. There were no comparable credits in fiscal year 2003.

Interest expense decreased dramatically in fiscal 2003 as a result of the debt reductions from asset sales. Additionally, interest expense was reduced due to lower working capital financing needs resulting from improved operations, and lower interest rates, as a result of both the new financing agreement and lower market rates. Finally, as a result of our repaying the senior bank debt in December 2002, we received a refund of $2.1 million of interest which had been charged to expense in fiscal 2002. We reduced interest expense in fiscal 2003 by this refund. We wrote off $4.6 million of costs in connection with the repayment of our senior bank debt in December 2002.

Other income includes dividends, royalties and other distributions from cost basis investments and joint ventures. In September 2003, we received a liquidating distribution of $2.2 million from the de-mutualization of an insurance company we had purchased key-man life insurance policies from a number of years ago.

Detail of our provision for income taxes, including a reconciliation to the statutory federal rates, is provided in Note 7 to the Consolidated Financial Statements. We currently are not paying federal income taxes on our earnings as a result of net operating loss carryforwards from prior periods.

Income from discontinued operations includes the operating results and gains on sale of our foodservice and Rocky Mountain beet sugar operations, as detailed in Note 13 to the Consolidated Financial Statements.

Liquidity and Capital Resources

We fund our liquidity and capital requirements from cash generated from operations, supplemented as necessary with revolving credit borrowings. Prior to its amendment in December 2004, we had a $140 million (subject to a borrowing base calculation) three-year revolving credit facility, including a $50 million sub-limit for letters of credit (the "Old Revolver"). At September 30, 2004 we had outstanding borrowings of $3.3 million under the Old Revolver and had borrowing capacity of $100 million, after deducting outstanding letters of credit totaling $23 million.

In December 2004 we amended the Old Revolver and entered into an agreement which provides for up to $125 million (subject to a borrowing base and seasonal borrowing limit adjustment) of senior secured revolving credit loans (the "New Revolver") at rates that are lower than the previous facility and which provide more capital structure flexibility and less restrictive covenants. The New Revolver, which expires in December 2008, is secured by our cash and temporary investments, accounts receivable, inventory, certain investments and certain property, plant and equipment. Each of our subsidiaries is either a borrower or a guarantor under the facility. The agreement contains covenants limiting our ability to, among other things:

- incur other indebtedness
- incur other liens
- undergo any fundamental changes
- engage in transactions with affiliates
- enter into sale and leaseback transactions
- change our fiscal periods
- enter into mergers or consolidations
- sell assets
- prepay other debt

In addition, in the event that our average total liquidity (defined as the average of the borrowing base, less average actual borrowings and letters of credit) falls below $20 million, the New Revolver requires that we comply with a quarterly covenant which establishes a minimum level of earnings before interest, taxes, depreciation and amortization, as defined ("EBITDA"). The New Revolver limits our ability to pay dividends or repurchase stock if our average total liquidity, after adjustment on a pro forma basis for such transaction, is less than $20 million.

The New Revolver also includes customary events of default, including a change of control. Borrowings will generally be available subject to a borrowing base and to the accuracy of all representations and warranties, including the absence of a material adverse change and the absence of any default or event of default. Although the facility has a final maturity date of December 31, 2008, we will classify debt under the credit facility as current, pursuant to Emerging Issues Task Force Issue 95-22 as the agreement contains a subjective acceleration clause if in the opinion of the lenders there is a material adverse effect, and provides the lenders direct access to our cash receipts.

Interest on the Old Revolver borrowings accrued at LIBOR plus a margin that varied (based on utilization) from 2.25% to 3.00% or the base rate (Bank of America prime rate) plus a margin of zero to 0.50%. Interest on borrowing under the New Revolver will accrue interest at LIBOR plus a margin that varies (based on liquidity, as defined) from 1.25% to 2.25%, or the base rate (Bank of America prime rate) plus a margin of negative 0.25% to positive 0.50%.

Our capital expenditures for the twelve months ended September 30, 2004 were $18.3 million, primarily for technology, productivity and packaging improvements. Capital expenditures in fiscal 2005 are expected to total approximately $20 million, $11 million related to productivity and packaging improvements, $6 million of expenditures related to normal replacement of factory equipment, and $3 million of technology investments (primarily an Enterprise Resource Planning system).

Pension liabilities totaled $76 million, which along with a $24 million liability for postretirement and postemployment medical benefits and deferred compensation liabilities of $10 million, comprised the substantial portion of the non-current deferred employee benefits and other liabilities at September 30, 2004.

Our contributions to company-sponsored pension plans totaled $6.8 million (including minimum required contributions of $3.0 million) in fiscal 2004 and are expected to total approximately $1.5 million in fiscal 2005. Based on consultation with our outside actuary, assuming no change in current interest rates and assuming the plans' assets grow at 8% per year, we estimate that our required contributions will be $19 million in 2006, $16 million in 2007, $12 million in 2008 and $6 million in 2009.

On December 7, 2004, our Board of Directors instituted a regular quarterly dividend and declared a cash dividend on shares of our common stock of $0.05 per share, payable January 26, 2005, to shareholders of record on January 12, 2005.

Our sugar production operations require seasonal working capital. Our seasonal requirements are expected to peak during the second half of our fiscal year when inventory levels are high, and a substantial portion of the payments to raw material suppliers have been made. Management believes that the credit facility and cash flow from operations will provide sufficient capital to meet anticipated working capital and operational needs for at least the next twelve months.

The following table as of September 30, 2004, provides a summary of contractual commitments, excluding pension liabilities described above, during the periods indicated:

Contractual Obligations	Payments Due by Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
	(In Millions of Dollars)				
Long-term Debt Payments(1)	$ 14.8	$ 6.2	$ 6.2	$ 0.2	$ 2.2
Capital Lease Obligations	—	—	—	—	—
Operating Leases	8.1	2.2	3.3	2.3	0.3
Purchase Obligations:					
Raw Materials(2)	425.2	425.2	—	—	—
Other(3)	15.0	14.8	0.2	—	—
Total Purchase Obligations	440.2	440.0	0.2	—	—
Other Long-term Liabilities Reflected on Balance Sheet Under GAAP(4)	9.4	0.8	1.7	1.5	5.4
Total	$472.5	$ 449.2	$11.4	$ 4.0	$ 7.9

(1) Including interest and maturities of long-term debt.
(2) Includes an estimated price for variably priced raw sugar and sugarbeet purchase contracts; actual price paid in the future will vary and such variance may be significant. Does not include raw sugar futures contracts which are not expected to result in actual delivery.
(3) Includes open purchase orders for the purchase of goods and services issued in the ordinary course of business.
(4) Includes projected future benefit payments for deferred compensation programs for certain current and former employees.

Critical Accounting Policies and Estimates

The preparation of financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results may materially differ from these estimates and our estimates may change materially if our assumptions or conditions change and as additional information becomes available in future periods. Management has discussed the selection of critical accounting policies and estimates with the Audit Committee of the Board of Directors and the Audit Committee has reviewed our disclosure relating to critical accounting policies and estimates in this Form 10-K. Management considers an accounting estimate to be critical if it involves significant estimates or judgments and if the results of the estimation process could materially affect the financial statements.

Our significant accounting policies are more fully described in Note 1 to our Consolidated Financial Statements for fiscal 2004. The following is a summary of the more significant judgments and estimates used in the preparation of the consolidated financial statements.

Allowance for Credit Losses: We extend trade credit to customers on substantially all of our sales and are subject to credit risk in the event of non-payment. We provide an allowance for estimated credit losses based on a review of prior loss history, a review of the trend in credit quality statistics about the receivable portfolio such as past due percentages, a review of individual credit extensions and other factors. As of September 30, 2004, the allowance for estimated credit losses, which is reported as a reduction of accounts receivable in the consolidated balance sheet, was $1.4 million. Actual credit losses in the future may vary from this estimate.

Allowance for Trade Promotions: Trade promotions are an important component of the sales and marketing of our products, and are critical to the support of our business. Trade promotion costs include amounts paid to

encourage retailers to offer temporary price reduction for the sale of our products to consumers, reimbursement of customer paid advertising and amounts paid to obtain favorable display positions in retailers' stores. Accruals for trade promotions are recorded at the time of sale of product to the customer based on expected levels of performance. Settlement of these liabilities typically occurs in subsequent periods primarily through an authorized process for deductions taken by a customer from amounts otherwise due to us or by direct payment to customers. As a result, the ultimate cost of a trade promotion program is dependent on the relative success of the events and the actions and level of deductions taken by our customers for amounts they consider due to them. Allowances for trade promotions total $3.7 million at September 30, 2004. Final determination of trade promotion allowances may result in adjustments in future periods.

Defined Benefit and Medical Retirement Plans: The plan obligations and related assets of defined benefit and medical retirement plans are presented in Note 8 to the Consolidated Financial Statements. Plan assets, which consist primarily of marketable equity and debt instruments, are valued using market quotations. Plan obligations and the annual pension expense are determined based on consultation with actuaries and are based in part on a number of assumptions we provide. Key assumptions in measuring the plan obligations include the discount rate, the rate of salary increases, the long-term healthcare cost trend rate, mortality rates and the estimated future return on plan assets. In determining the discount rate, we use the yield on Moody's AA rated, fixed-income investments currently available with maturities corresponding to the anticipated timing of the benefit payments. Salary increase assumptions are based upon historical experience and anticipated future management actions. Asset returns are based upon the anticipated average rate of earnings expected on the invested funds of the plans based on the results of historical statistical studies performed by our advisors. At September 30, 2004, the actuarial assumption for our plans were: discount rate of 6.25%; long-term rate of return on plan assets of 8%; assumed salary increases of 4% to 5%; and healthcare cost trend rate ranging from 10% to 5%. A 1% decrease in the discount rate would increase our recorded retirement obligations by approximately $30 million, while a 1% change in the assumed rate of return on assets would change annual costs by $1.8 million. The impact of changes in healthcare trend rates is described in Note 8 to the Consolidated Financial Statements.

Interim LIFO Accruals: Our sugar inventories, which are accounted for on the LIFO basis of accounting, are periodically reduced at interim dates to levels below that of the beginning of the fiscal year. When such interim LIFO liquidations are expected to be restored prior to fiscal year end, the estimated replacement cost of the liquidated layers is utilized as the basis of cost of sugar sold from beginning of the year inventory. Changes in the estimated replacement cost are recognized in subsequent interim fiscal periods as they arise. These changes in estimates have no effect on results for the full fiscal year.

Sugarbeet Purchase Costs: We purchase sugarbeets under contracts with growers which provide for a purchase price which varies with the net selling price (as defined) of refined sugar during a specified contract year ending either February 28 or June 30. We accrue for the estimated remaining unpaid cost of sugarbeets at fiscal year end based upon the net selling price realized on a contract-to-date basis through September 30 for each contract. The final cost of sugarbeets cannot be determined until the end of each contract year. The total cost of sugarbeets purchased in fiscal 2004 was $76 million, and the liability for unpaid purchase price included in accounts payable was $16 million at September 30, 2004. A 1% change in the estimated net selling price would change the end of year liability by approximately $1 million.

New Accounting Standards

The Financial Accounting Standards Board ("FASB") has issued a number of new accounting standards discussed in Note 1 to the Consolidated Financial Statements. These standards, which became effective in fiscal 2004, establish additional accounting and disclosure requirements. Management has evaluated, as described in Note 1 to the Consolidated Financial Statements, the effects such requirements will have on our consolidated financial statements.

In 2003, the Financial Accounting Standards Board revised Financial Accounting Standard No. 132, "Employers' Disclosures About Pensions and Other Postretirement Benefits" ("SFAS 132"). The revised statement requires additional disclosures to those in the original Statement 132 about the assets, obligations, cash flows, and net periodic benefit cost of defined benefit pension plans and other defined benefit postretirement plans and provides for later effective dates for certain provisions in the statement. The Company has adopted this revised statement effective October 1, 2003, and has provided the additional disclosures required by SFAS 132 in Note 8.

In December 2003, the FASB issued Interpretation No. 46R, a revision to FIN 46, "Consolidation of Variable Interest Entities", which requires the consolidation of variable interest entities, as defined. The updated pronouncement provided clarification of guidance surrounding the application of FIN 46. This statement does not have a material effect on the Company's financial position or results of operations as the Company does not have a variable interest entity.

ITEM 7A. ***Quantitative and Qualitative Disclosure About Market Risk***

We use raw sugar futures and options in our raw sugar purchasing programs and natural gas futures and options to hedge natural gas purchases used in our manufacturing operations. Gains and losses on raw sugar futures and options are matched to inventory purchases and charged or credited to cost of sales as such inventory is sold. Gains and losses on natural gas futures are matched to the natural gas purchases and charged to cost of sales in the period the forecasted purchase occurs. Our derivatives hedging activity is supervised by a senior management committee which monitors and reports to the Board of Directors, compliance with our risk management policy.

The information in the table below presents our domestic and world raw sugar futures positions outstanding as of September 30, 2004.

	Expected Maturity Fiscal 2005	Expected Maturity Fiscal 2006
Domestic Futures Contracts (long positions):		
Contract Volumes (cwt.)	1,885,000	157,000
Weighted Average Contract Price (per cwt.)	$ 20.80	$ 21.16
Contract Amount	$ 39,198,000	$ 3,317,000
Weighted Average Fair Value (per cwt.)	$ 20.61	$ 21.00
Fair Value	$ 38,843,000	$ 3,293,000

	Expected Maturity Fiscal 2005
World Futures Contracts (net long positions):	
Contract Volumes (cwt.)	196,000
Weighted Average Contract Price (per cwt.)	$ 8.18
Contract Amount	$ 1,604,000
Weighted Average Fair Value (per cwt.)	$ 9.07
Fair Value	$ 1,778,000

The above information does not include either our physical inventory or our fixed price purchase commitments for raw sugar. At September 30, 2003, our domestic futures position was a net long position of 1.3 million cwt. at an average contract price of $21.32 and an average fair value price of $21.41. Our world futures position at September 30, 2003 was a net long position of 0.8 million cwt. at an average contract price of $6.24 and an average fair market value of $6.44.